ANNUAL
REPORT
1976

Advocate Mines Limited

ADVOCATE MINES LIMITED

(Incorporated under the laws of Ontario)

Directors

J. Jacques Beauchemin
E. R. E. Carter
J. M. Emsens
Max Graf*
M. Harris
J. R. M. Hutcheson*
Gilbert Kerlin*
Karl V. Lindell
H. F. Teney

*Member of the Audit Committee

Officers

E. R. E Carter, Chairman of the Board and President
A. R. Dennis, Treasurer
H. F. Teney, Secretary
A. W. Oughtred, Assistant Secretary

Registrar and Transfer Agent

Metropolitan Trust Company
Toronto

Auditors

Loftus A. Allen & Co., Toronto, Ontario

Head Office

Suite 2400, The Bank of Nova Scotia Building
44 King Street West, Toronto, Ontario

Mine Office

Baie Verte, Newfoundland

Annual Meeting of Shareholders

April 21, 1977
Prince Edward Island Room
Royal York Hotel
Toronto, Ontario

Directors' Report

Net Income

1977 was a record year for your Company. Net income was $4,429,130 (1975 — $709,247) after providing for an extraordinary item of $250,610 representing a capital gift to local school boards net of applicable deferred tax. Earnings per share before the extraordinary item and after payment of preference share dividends were 69¢ and after the extraordinary item and payment of preference share dividends were 64¢ per share. In 1976 provision was made for deferred income taxes of $1,733,834 (1975 — $732,333) which resulted from timing differences in calculating income for financial statements and income tax purposes. This excellent earnings performance resulted from good fibre production, higher mine ore recovery and sound cost control.

Your attention is directed to the attached audited financial statements and the five year financial summary.

Dividends

Preference dividends were paid in 1976 in half-yearly instalments in July and December. A dividend of 8.1¢ per Common Share (1975, 7½¢) was paid in December, this being the maximum permitted under the Federal Anti-Inflation Guidelines.

Cash Flow

Operations and repayment of school board notes generated $7,803,096 and long term bank borrowings (net of current portion) an additional $7,500,000, totalling $15,303,096, against which funds were expended for; purchase of fixed assets $1,268,629, preference and common dividends $1,048,761, and redemption of preference shares $12,505,800. Working capital at the end of the year was $3,707,353. Earned surplus after the adjustments referred to in notes 1(f) and 3 to the Consolidated Financial Statements increased from $4,197,910 to $7,578,279.

Redemption of Preference Shares

Following approval at a Shareholders' Meeting on December 2, 1976, all of the outstanding 125,058 4½% Preference Shares of a par value of $100 each were redeemed on December 31, 1976 out of funds derived from working capital and bank borrowings. This will enable your Company, based on its projections for the next three years, to pay substantially increased Common Share dividends, subject, of course, to the Federal Anti-Inflation Guidelines.

Debt

In December, 1976, your Company arranged $10,000,000 in additional bank financing to augment working capital and complete the redemption of the 4½% Preference Shares. The additional borrowings, which are evenly divided between a term loan and bankers' acceptances carry a maximum interest rate of 1.5% over the Company's bankers' prime rate, are repayable as to $2,500,000 in each of the next four years commencing in 1977, may be prepaid at any time without penalty or bonus and are secured by a floating charge on your Company's assets. In February, 1977, the current portion $2,500,000 was converted and added to your Company's operating line of credit resulting in reduced interest charges.

Operations

Production in 1976 was 84,446 tons of fibre valued at $31,790,277 compared with 69,600 tons and $21,389,973 in 1975. During the year 98,124 tons were shipped (1975 — 63,787 tons).

Manager's Report

You are referred to the Report of Canadian Johns-Manville Company, Limited which is attached hereto.

General

In February, 1977 Mr. William Lyall, Production Manager, lost his life in an automobile accident. His contribution to your Company was substantial. We extend to his family our deepest sympathy.

As you will see from the accompanying notice of shareholders meeting and information circular, management proposes to increase the number of directors of your Company from nine to ten and to nominate Andrew C. Crosbie to your board of directors. Mr. Crosbie's business experience will contribute greatly to the direction of your Company's affairs.

Outlook

1977 is expected to be a good year.

All engaged in your Company's operations made possible the results achieved. To each is extended deep appreciation for a task well done.

On behalf of the Board

Chairman of the Board and President

March 7, 1977.

Report of the Manager

To the President and Directors of
ADVOCATE MINES LIMITED

The manager of your operations at Baie Verte, Newfoundland, reports hereunder for the year 1976.

Production

	1976	1975
Days Operated	343	342⅓
Tons A-25 Produced	72,883	56,100
Tons A-35 Produced	11,563	13,500
Concentrated Ore Milled	1,531,500	1,507,342
Ore To Crusher	2,080,200	2,444,841
Ore To Stockpile	577,500	364,700
Ore From Stockpile	586,500	174,241
Waste To Dump	8,933,200	7,646,300
Waste To Roads	469,500	509,700
Waste To Ore Ratio	4.3:1	2.9:1
Recovery Mine Ore	4.06%	2.85%

Pit Equipment

The program of conversion to larger mining equipment, which was started in 1975, was accelerated in 1976. Equipment received included 12-100 ton haulage trucks, 2-11 c.y. electric shovels, 1-15 c.y. front end loader, and 1-bulldozer. The trucks were put in operation from February through October, while the shovels were not operational until late in the fourth quarter. All this equipment is on lease purchase agreements.

Major rebuilds of electric shovels resulted in lower than expected shovel availability during 1976.

At year end, operational pit equipment included 2-11 c.y. electric shovels, 4-8 c.y. shovels, 2-4½ c.y. electric shovels, 12-100 ton trucks, 11-50 ton trucks, 6-bulldozers, 2-rotary drills, and 3-front end loaders.

Mining

During 1976, the major mining was concentrated in the North pit. At year end, practically all of the ore available for mining in 1977 will be in the North Zone. Ore grade has improved at depth and most of the future ore mined from the North pit will not require a blend of high grade from the West Zone.

In the West Zone, most of the high grade ore, that was developed in 1975, was mined. The higher pit ore recovery in 1976 is a reflection of this.

A five year mine slope investigation program was initiated. The object of the program is to determine the optimum design of future mine slopes.

Ore Reserves

At December 31, 1976 reserves amounted to 48,672,000 tons. Again this year a substantial amount of ore, 652,000 tons, was mined from areas that were previously outlined as traced fibre zones continguous with the main fibre zones.

Crushing, Drying & Milling Facilities

The replacement of the three 40" impactors in the secondary crushing circuit by a single larger unit was completed. The new unit has operated for six months with little maintenance cost to date.

In addition to major projects referred to under Environmental Control, a number of other projects were undertaken to improve environmental conditions and housekeeping. These included 1) installation of additional troughing idlers on crushing and milling conveyor belts; 2) replacement of dust control equipment on paddle trommels; 3) replacement of double leaf pressure packer gates by single leaf gates; 4) by-pass of the extra ore concentration circuit in the secondary crushing building; and 5) installation of equipment to convey pressure packer overflow to storage.

Environmental Control

Emphasis on the improvement of dust control was continued in 1976. All projects were carried out in close liaison with environmentalists from both the Federal and Provincial Governments and Johns-Manville Corporation.

The program for control of dust emission to the atmosphere from the Primary Crusher, Secondary Crusher and Drying Building and Mill Tailings is progressing favourably.

In the Primary Crusher, the design has been completed and the material ordered for a bag collector which will be installed early in 1977. Also, engineering and design was started in 1976 for a bag collector to collect dust from the hot and cold stacks in the Secondary Crushing and Drying Building.

Considerable progress in supressing dust on tailings has been accomplished by the addition of water at transfer points on convenyor belts.

All dust monitoring stations were maintained at acceptable dust levels. The Government maximum level is presently set at five fibres per cubic centimeter. Most of the stations are now under two fibres per cubic centimetre.

Shipping

1976 was an excellent shipping season. 82,454.15 tons of A-25 fibre and 15,670 tons of A-35 fibre were shipped for a total of 98,124.15 tons.

At year-end, fibre inventory was 7,194.35 tons of A-25 and 1,196.00 tons of A-35.

Investigations are being carried out on improved shipping methods.

Personnel

At year-end, there were 528 employees of which 72 were staff and 456 hourly. During 1976, eight apprentices graduated as certified journeymen and nine employees joined the plan for a total apprenticeship enrollment of 38.

1,102,594 manhours were worked with an accident frequency rate of 17.2 per million manhours worked.

General

The Company continued to maintain good relations with the Union during the second year of the Collective Agreement which expired December 31, 1976. At year end negotiations were in progress on a new Collective Agreement.

The Company is participating with the Union in the implementation of a new job evaluation method (Cooperative Wage Study) which was negotiated in the last labour agreement.

Dr. Irving Selikoff and his Mount Sinai medical group visited the mine to carry out a study on the effects of asbestos dust on the health of the employees. The study was sponsored jointly by Johns Manville and Mount Sinai Hospital. The results of the study have not been released to date.

The participation of a Union employee in the collection and analysis of dust samples has boosted employee relations in the environmental control area. Also, improvements in employee relations and attitude has resulted from paving the mine access road and all plant areas.

The Manager of your mine is very pleased to acknowledge the cooperation of the Directors and Officers of the Company during 1976.

Respectfully submitted,

CANADIAN JOHNS-MANVILLE COMPANY, LIMITED

J. R. M. Hutcheson,
Chairman of the Board

ADVOCATE MINES LIMITED

Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1976
(*with comparative figures for 1975*)

	1976	1975
Value of fibre produced	$31,790,277	$21,389,973
LESS		
Operating costs	$22,410,527	$18,136,998
Interest	57,298	294,963
Depreciation of equipment	970,000	850,000
Amortization of mine development costs	115,000	115,000
Exploration expenses	75,606	65,821
	$23,628,431	$19,462,782
Net earnings before taxes and extraordinary item	$ 8,161,846	$ 1,927,191
Provision for income and mining taxes		
Current	$ 1,748,272	$ 199,837
Deferred	1,733,834	732,333
	$ 3,482,106	$ 932,170
Net earnings before extraordinary item	$ 4,679,740	$ 995,021
Extraordinary Item		
Capital gift to school boards, net of applicable deferred taxes of $153,600 (1975 — $175,152)	250,610	285,774
Net earnings for the year	$ 4,429,130	$ 709,247
Earnings per common share after providing for preference dividends earned of $562,761 (1975 — $623,511)		
Net earnings before extraordinary items	$ .69	$ .06
Net earnings for the year	$ .64	$ .01

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1976
(*with comparative figures for 1975*)

	1976	1975
Balance, beginning of year		
As previously reported	$ 5,410,910	$ 5,775,174
Adjustment of prior years' deferred mining taxes (Note 1(f))	(775,000)	(775,000)
Adjustment of prior years' deferred income taxes (Note 3)	(438,000)	(438,000)
As restated	4,197,910	$ 4,562,174
Net earnings	4,429,130	709,247
	$ 8,627,040	$ 5,271,421
DIVIDENDS PAID		
Preference	$ 562,761	$ 623,511
Common	486,000	450,000
	$ 1,048,761	$ 1,073,511
Balance, end of year	$ 7,578,279	$ 4,197,910

ADVOCATE MINES LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

DECEMBER 31, 1976
(*with comparative figures for 1975*)

ASSETS	**1976**	**1975**
CURRENT ASSETS		
Cash	$ 2,849,084	$ 165,660
Accounts receivable	5,160,208	5,232,583
Fibre inventory — at net realizable value (Note 1(b))	2,982,415	6,421,145
Stores and supplies — at cost	3,235,826	2,418,594
Prepaid expenses	119,223	38,144
	$14,346,756	$14,276,126
MINING PROPERTIES AND RIGHTS — AT COST (Note 2)	$ 75,000	$ 75,000
FIXED ASSETS		
Property, plant and equipment — at cost (Note 1(c))	$24,745,710	$24,327,021
Less: Accumulated depreciation	9,322,259	8,894,705
	$15,423,451	$15,432,316
OTHER ASSETS		
Advance to school boards	$ —	$ 401,238
Mine development costs less amounts written off (note 1(d))	2,392,595	2,507,595
	$ 2,392,595	$ 2,908,833
	$32,237,802	$32,692,275

Approved on behalf of the Board:

E R E Carter Director

Director

LIABILITIES	1976	1975
CURRENT LIABILITIES		
Bank loans — secured (Note 4)	$ —	$ 6,630,000
Accounts payable	6,070,796	4,014,600
Income and mining taxes payable	1,833,937	190,843
Miscellaneous taxes payable	234,670	176,436
Redemption of preference shares	—	36,800
Current portion of long term debt	2,500,000	—
	$10,639,403	$11,048,679
Long Term Debt — secured (Note 4)	$ 7,500,000	$ —
Deferred Taxes (Notes 1(f) and 3)	$ 4,338,115	$ 2,757,881
SHAREHOLDERS' EQUITY		
Capital (Note 5)		
Authorized, issued and fully paid		
(1975 — 125,058 4½% cumulative, redeemable		
preference shares of $100 par value)	$ —	$12,505,800
6,000,000 Common shares of $1 par value	6,000,000	6,000,000
	$ 6,000,000	$18,505,800
Less: Discount on common shares	3,817,995	3,817,995
	$ 2,182,005	$14,687,805
Retained Earnings	7,578,279	4,197,910
	$ 9,760,284	$18,885,715
	$32,237,802	$32,692,275

The attached notes form an integral part of these financial statements.

Auditors' Report attached

ADVOCATE MINES LIMITED

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1976
(*with comparative figures for 1975*)

	1976	1975
FUNDS WERE PROVIDED BY:		
Net earnings	$ 4,429,130	$ 709,247
Add: Expenses not requiring an outlay of funds:		
Depreciation	970,000	850,000
Amortization of mine development costs	115,000	115,000
Loss on sale of fixed assets	290,248	7,391
Deferred income taxes		
On earnings before extraordinary item	1,733,834	732,333
Reduction applicable to extraordinary item	(153,600)	(175,152)
Provided from operations	$ 7,384,612	$ 2,238,819
Reduction of advance to school boards	401,238	457,898
Proceeds on sale of fixed assets	17,246	3,593
Long term debt	10,000,000	—
	$17,803,096	$ 2,700,310
FUNDS WERE USED FOR:		
Purchase of fixed assets	$ 1,268,629	$ 665,845
Preference dividends	562,761	623,511
Common dividends	486,000	450,000
Redemption of preference shares	12,505,800	1,350,000
Current portion of long term debt	2,500,000	—
	$17,323,190	$ 3,089,356
Increase (decrease) in working capital	$ 479,906	$ (389,046)
Working capital, beginning of period	3,227,447	3,616,493
Working capital, end of period	$ 3,707,353	$ 3,227,447

ADVOCATE MINES LIMITED

Notes to Consolidated Financial Statements

DECEMBER 31, 1976

1. ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with generally accepted accounting principles and their basis of application is consistent with that of the previous year except as set out in paragraph (f) below. Outlined below are those policies considered particularly significant.

(a) *Consolidation*

The consolidated financial statements combine the accounts of the Company with those of its wholly owned subsidiary, Advocate Concessions Exploration Company Limited.

(b) *Determination of Income and Valuation of Inventories*

The determination of income based on value of production is considered appropriate because

(i) annual fibre production is covered by sales commitments;
(ii) annual sales could vary depending upon the length of shipping season and availability of vessels.

Accordingly, the fibre inventory is valued at net realizable value determined by using net selling price at the end of the year and the value of production is determined by using average net selling prices throughout the year.

(c) *Fixed Assets*

Fixed assets are stated at acquisition cost. Depreciation expense of $970,000 (1975 — $850,000) was provided for the year on a straight-line basis, using the lesser of the expected life of the asset or the mine life. Based on ore reserves and current production, the mine life is approximately 22 years from 1976.

The Company leases various types of mine equipment with terms which approximate their estimated useful life and with options to purchase. The lease expense for 1976 was $1,814,662 (1975 — $986,400).

(d) *Mine Development Costs*

All costs incurred in developing and placing the mine in production have been capitalized. The annual amortization of these costs is $115,000 and is based on ore reserves and tons mined.

(e) *Income Taxes*

The Company follows the tax allocation method of accounting with respect to all timing differences between reported net income and taxable income. Although the method has been in effect for many years with respect to Federal and Provincial income taxes, it was introduced for the first time in 1976 for Provincial mining taxes. The reasons for the change and the effect on the accounts are set out in paragraph (f) below.

The deferred taxes on these timing differences pertain to the following:

(i) the adjustment of the fibre inventory valuation to the lower of cost and net realizable value for income tax purposes;
(ii) excess depreciation on fixed assets as recorded in the accounts over the amount claimed for income tax purposes;
(iii) excess amortization of mine development costs as claimed for income tax purposes over the amount recorded in the accounts.

(f) *Change in Accounting Policy*

In prior years the Company treated the payment of mining taxes as an Operating expense. However, as a result of recent amendments to the Federal Income Tax Act, and the new Newfoundland Mining and Mineral Rights Tax Act, mining taxes are now more in the nature of a tax on income and accordingly should be treated as such in the accounts.

In 1976 the Company therefore adopted on a retroactive basis, full tax allocation accounting for mining taxes. Under this method, the Company makes full provision for mining taxes deferred as a result of claiming for mining tax purposes certain costs in excess of the amounts expensed in the accounts. The effect of this change in accounting policy was to decrease retained earnings at the beginning of the year by $775,000 and increase the liability for deferred tax by the same amount.

2. MINING PROPERTIES AND RIGHTS

The Company holds

(a) Two 50 year mining leases covering 623 acres expiring in the years 2014 and 2019 respectively where the Company is carrying on its present mining operations.

(b) One development license covering two square miles which expires on June 4, 1979.

(c) One development license covering three square miles, expiring on June 4, 1979 held subject to a 20% non assessable undivided interest to others in any asbestos minerals discovered therein and reserving to Advocate a 20% non assessable undivided interest in any minerals other than asbestos discovered therein.

(d) A 20% interest in the net profits (as defined) from all mining operations carried on by Consolidated Rambler Mines Limited on two 21 year mining leases (previously eight mining claims), after recovery of all exploration and preproduction expenses incurred by that company. In 1976 production of copper concentrate from this property, known as the Ming Extension, was relatively small and no income accrued to Advocate.

(e) Three development licenses, covering thirty square miles and expiring on June 4, 1979, and twenty-eight mining claims all held under an agreement with Selco Mining Corporation Limited under which Advocate has a 7½% non assessable undivided interest in the mining property and a right to a further 5% undivided interest upon paying 5% of the cost of bringing any designated mine into production.

(f) In 1976 Consolidated Rambler Mines Limited terminated the agreement with respect to 48 mining claims in which Advocate had a 10% interest in the net proceeds from future operations. The claims were allowed to lapse as no mineralization of economic value was found.

3. REASSESSMENT OF FEDERAL INCOME TAXES

Revenue Canada had issued reassessments for all taxation years to 1969 and had treated development expenses of $4.3 million incurred in the tax exempt period 1963-66 as current operating expenses of those years.

Early in 1977 a settlement was reached with Revenue Canada and it has now recognized $3.2 million as development expenses properly deductible from income in taxation years subsequent to 1966. Additional depreciation, depletion and deductible donations have been claimed in 1969 to offset the disallowance of $1.1 million.

The liability for deferred income taxes has been increased by $438,000 as a result of the settlement with a corresponding charge to retained earnings as a prior period adjustment.

4. BANK LOAN AND CREDITS

The bank operating loan, bank term credit and bankers' acceptances credit are secured by a debenture dated November 15, 1976 in the total amount of $22,000,000, registered in the name of the Canadian Imperial Bank of Commerce and the Bank of Nova Scotia constituting a first floating charge on all the Company's undertaking, property and assets.

The bank operating loan is repayable on demand and is subject to annual review. Interest is payable at the banks' minimum lending rates plus ½ of 1% per annum.

The bank term credit and the bankers' acceptances credit are repayable at $2.5 million per annum with final payment due December 31, 1980 and with provision for prepayment of any instalment. Interest is payable on the bank term credit at the banks' minimum lending rate plus 1½% per annum. The interest payable and the service fee on the bankers' acceptances credit shall be the current rate in effect from time to time.

If at any time no market exists for bankers' acceptances so that Advocate is unable to issue bankers' acceptances, the amount of such bankers' acceptances shall be advanced by the banks to Advocate under the bank term credit and thereafter shall be treated in all respects as an advance under the bank term credit.

The detail of the outstanding amount as shown on the balance sheet is

Bank term credit	$ 5,000,000
Bankers' acceptances credit	5,000,000
	$10,000,000
Instalment due December 31, 1977 and shown as a current liability	2,500,000
	$ 7,500,000

5. REDEMPTION OF PREFERENCE SHARES

On December 2, 1976 the shareholders approved an amendment to the Financing Agreement dated September 28, 1958, to permit the company to redeem the preference shares and declare dividends subject only to a provision for working capital and additions to plant and equipment.

On December 31, 1976 the Company redeemed all the 125,058 outstanding preference shares.

6. LONG-TERM LEASES

The Company is obligated in respect of long-term leases for mine equipment with expiry dates extending until 1984. The aggregate liability over the balance of the term of the leases is $10,835,983 of which $2,016,454 is applicable in 1977.

7. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate paid to the directors and the five highest paid employees of the Company for 1976 was $155,466 (1975 — $126,200).

Auditor's Report to the Shareholders

We have examined the consolidated balance sheet of ADVOCATE MINES LIMITED as at December 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the tax allocation basis of accounting for mining taxes as explained in Note 1(f), on a basis consistent with that of the preceding year.

Loftus A. Allen & Co.

Chartered Accountants

Toronto, Ontario,
February 11, 1977

Five Year Financial Summary

	1976	1975	1974	1973	1972
FOR THE YEAR (in thousands)					
Value of fibre produced	$31,790	$21,389	$18,249	$15,125	$12,700
Operating costs	22,410	18,136	14,149	12,801	11,229
Amortization and depreciation	1,085	965	965	1,085	1,350
Exploration	76	66	—	—	—
Interest	57	295	87	131	85
Gift to school board	251	286	—	—	—
Provision for income and mining taxes	3,482	932	993	—	—
	27,361	20,680	16,194	14,017	12,664
Net income	4,429	709	2,055	1,108	36
Provision for cumulative preference dividend	563	624	680	725	765
Net income for common shareholders	$ 3,866	$ 85	$ 1,375	$ 383	$ 0
Per share	64¢	01¢	23¢	6¢	0¢
Funds generated	$ 7,803	$ 2,700	$ 4,029	$ 2,401	$ 1,491
Per share	1.30	45¢	67¢	40¢	24¢
Funds from long-term loan	10,000	—	—	—	—
Funds applied					
Preference dividend	$ 563	$ 624	$ 680	$ 725	$ 765
Common dividend	486	450	450	300	300
Redemption of preference shares	12,506	1,350	1,350	898	901
Fixed assets	1,269	666	606	384	224
Part of loan due in 12-months	2,500	—	—	—	—
AT THE YEAR END (in thousands)					
Working capital	$ 3,707	$ 3,228	$ 3,616	$ 2,673	$ 2,579
Fixed assets	15,423	15,432	15,627	15,892	16,686
Preproduction and mine development	2,393	2,508	2,623	2,738	2,853
Other assets	75	476	934	934	934
	21,598	21,644	22,800	22,237	23,052
Less: Long-term debt	7,500	—	—	—	—
Less: deferred taxes(1)	4,338	2,758	2,201	1,213	1,213
Total shareholders' equity	9,760	18,886	20,599	21,024	21,839
Preference shares, par value	—	12,506	13,855	15,206	16,104
Common shares, book value — total	9,760	6,380	6,744	5,818	5,735
Common shares, book value per share(1)	1.63	1.06	1.12	.97	.96
PRODUCTION					
Fibre produced (tons) A-25	72,883	56,100	73,227	76,286	67,175
A-35	11,563	13,500	6,759	4,063	6,020
Material mined (thousands of tons)					
Ore	2,071	2,635	2,376	2,167	2,486
Waste and overburden	8,933	7,646	7,446	7,902	6,908
	11,004	10,281	9,822	10,069	9,394
Waste to ore ratio	4.3:1	2.9:1	3.13:1	3.65:1	2.78:1
Recovery from ore crushed	4.06%	2.85%	3.73%	3.70%	3.15%
Ore reserves (thousands of tons)	48,672	50,091	51,415	52,679	54,846

(1) 1975 and prior years are restated to give retroactive effect to full tax allocation accounting for mining taxes and the settlement of federal income tax reassessments for 1968 and 1969.

Advocate Mines Limited

INTERIM REPORT

6
MONTHS
ENDED
June 30, 1976

Advocate Mines Limited

Consolidated Financial Summary For Six Months — Estimated

Statement of Earnings

	1976 (000's)	1975 (000's)
Revenue		
Value of fibre produced	$17,504	$ 9,888
Expenses		
Mining, milling & general	10,962	8,241
Interest	125	71
Amortization of mine development costs	60	60
Depreciation	480	420
	11,627	8,792
Earnings before taxes and extraordinary item	5,877	1,096
Provision for taxes including $2,080,000 deferred ($242,000 in 1975)	3,135	416
Net earnings before extraordinary item	2,742	680
Extraordinary Item		
Capital gift to school boards net of applicable tax reduction of $153,000 ($174,000 in 1975)	251	286
Net earnings	$ 2,491	$ 394
Net earnings per share before extraordinary item of $251,000 ($286,000 in 1975) and after provision for preference dividend of $281,000 ($312,000 in 1975)	41.0¢	6.1¢
Net earnings per share after provision for extraordinary item and preference dividend as above	36.8¢	1.4¢

Statement of Changes in Financial Position

	1976 (000's)	1975 (000's)
Funds provided by:		
Net earnings	$ 2,491	$ 394
Add: Amortization of mine development costs	60	60
Depreciation	480	420
Provision for deferred income tax	2,080	242
Loss on fixed assets sold	80	9
	5,191	1,125
Proceeds on sale of fixed assets	17	1
Reduction in advance to school boards	401	457
	5,609	1,583
Funds used too:		
Purchase fixed assets	500	299
Increase in working capital	5,109	1,284
Working capital, beginning of year	3,227	3,616
Working capital, June 30, 1976	$ 8,336	$ 4,900

Financial

Net earnings for the first six months were $2,491,508 after provision for tax ($3,134,839 of which $2,079,643 was deferred tax) and an extraordinary write-off of $250,610 relating to school board notes held by your Company, and before provision for preference share dividends of $281,000. In 1974 comparative net earnings were $394,000.

The outlook for the balance of the year is satisfactory.

Production

	Six Months Ended June 30 1976	1975
Ore crushed (tons)	993,300	1,239,500
Fibre produced (tons)	45,266	33,315
Percent recovery from ore crushed	4.56%	2.69%
Fibre shipped (tons)	50,825	26,070

Waste to ore ratio for the first six months was 4.08:1 (3.28:1 in 1975)

On behalf of the Board of Directors

Chairman of the Board and President.

Toronto, Ontario
August 20, 1976